

CITY OF MILPITAS

Minutes of: CITY COUNCIL (FINANCE) SUBCOMMITTEE
Date/Time: Wednesday, February 7, 2007 – 4:00 p.m.

I. CALL TO ORDER: Council Member Giordano called the meeting to order at 4:00 pm

Attendance:

City Council: Council Member Debbie Giordano
Staff: Emma Karlen, Jane Corpus, Clare Frank

II. CITIZENS FORUM:

No Comments.

III. APPROVAL of MINUTES: Approval of the January 3, 2007 minutes was deferred to the March meeting.

IV. ITEMS FOR DISCUSSION

A. Milpitas Rotary Club Request for Refund of Pumpkin Patch Lot Fee

Clare Frank, Fire Chief – There are two main reasons the Fire Department is exceeding their overtime budget:

1. There was a higher vacancy rate this year compared to last year (from 3 to 11 vacancies). Therefore, the overtime allocation was not sufficient to compensate for the added number of department vacancies.
2. Some firefighters started to make use of their right to FMLA/CFRA leave, and this essentially has created another two vacancies.

B. Cost Allocation Study

Emma Karlen, Director of Financial Services – The last cost allocation study was conducted in 1995. Thus, the Finance Department initiated and prepared an updated report in house with the assistance of all departments. The purpose of the cost allocation study is to have a complete picture of the full cost to the City to provide each major program.

Some of the objectives of this report are to: assist in future long-term strategic planning; meet Proposition 218 requirements that impose restrictions of how the City spends funds for services; identify opportunities for cost recovery or cost containment; link the relationship between payment and services; recognize the impact of not charging for the full cost of programs.

The Finance Director went over the cost allocation report methodology. The major programs were identified and the direct costs related to service each program were allocated. Additionally, other “behind the scene” costs needed to be allocated. These costs are part of doing business, but are not easily identified, such as: department and administration costs, central service costs, building occupancy costs, and facility and equipment maintenance costs.

After reviewing the Cost Allocation Study, results have identified that the City does not recover full costs for many programs, and often we do not even recover the direct cost of some programs. There is an ordinance that the Council adopted that indicates the percentage of cost recovery Council wants to recover from a program. Thus, cost increase is already allowed by the current ordinance. However, we need to be consistent with fee changes in order to cover service costs as needed. In the City’s long-term strategic planning there should be opportunities to consider fee adjustments. The February 27 budget study session would also provide an opportunity to discuss fee adjustments, cost containment and planning.

This report will be presented to the full Council at the February 20, 2007 meeting. Following Council’s review, further discussion can take place.

V. OTHER BUSINESS – None

VI. NEXT MEETING – Wednesday, March 7, 2007 at 4:00 pm

VII. ADJOURNMENT